

30 April 1975

MEMORANDUM FOR THE RECORD

- REFERENCES:
- A. Financial Procedural Considerations
Direct Funding Option - Property,
forwarded to OL/EO/BF 19 Feb 75
 - B. 1 Apr 75 OL/OF/OJCS Meeting - OL Proposed
Property Obligation Document Flow through
GAS and ICS
 - C. Memo for the Record, dtd 21 Apr 75,
OJCS-938-75, subj: Decision on PPA as
it Relates to the Three Computer Systems,
GAS, CONFIF, and ICS

1. This memorandum for the record addresses the points raised in referent A that suggests retention of the present PPA/PRA system rather than adoption of a direct funding system. Paragraph identification below is keyed to referent A.

Obligation Control

A. True. However, referent B. provides that all line items are entered into GAS with subsequent system check by ICS (which is a matter of a few days at most) to confirm direct procurement action or to cancel from GAS any items that are issued from stock. The major property customers in the Agency (i.e. OC, Div D, OTS, DD/O area divisions, OEL, OL) have logistics officers who can usually identify stock items (or refer to SD/SMB) before the requisition is certified by the budget officer.

B.1. Requisitions now have DCN, FAN, estimated obligation (or encumbrance), budget certification, and line item identification when they are released by the operating component. Other needed information elements, such as the SOC, are missing. In referent B, OL proposed establishment of a GAS system commitment file that will hold these data elements pending accumulation of all other data elements required for insertion in the GAS obligation system. This file is comparable with the "manual" commitment records now maintained by OL/EO/BF pending receipt of obligation data.

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B.2. Same is required under either system. (Note: OL now requires submission of only one copy of the requisition by the operating components.)

B.3. Same is required under either system. (Note: Referent B. proposed system provides for input by the operating component of the requisition. Updating to accommodate the obligating document, such as purchase order, would be accomplished by input from ICS to GAS.)

B.4. Same is required under either system. (Note: See comment above.)

C.1. Same under either system. Agree that before contract or purchase order is let that significant price differences be coordinated with requisitioning office.

C.2. Same is required under either system.

C.3. Same is required under either system.

C.3. Comment Reference to single FAN under PPA is not correct. PPA presently utilizes over 30 FAN's. The problem of relating control numbers utilized by ICS, CONIF (and other procurement sub-systems such as General Procurement), and GAS was addressed in referent B. Until July 1974 a single number (with some few exceptions) was used by all three systems. This was the Supply Division's voucher number. With development of unique numbers for use under each sub-system, a cross-reference or index will have to be established by OJCS in order to have one system communicate with the other. We agree there are and will be complications. However, the same is true under either system.

D.1. Same is required under either system.

D.2. Same is required under either system.

D.3. Same is required under either system.

D.3. Comment The Requisitioning Module of ICS will have information on the status of each requisition and line item. It appears that OF properly would refer all inquiries to OL for answer to obligation status. Although operating components will experience significant increases in their obligation status reports, they would no longer have the need for reports on encumbrances and issues. The net change will be a reduction in line items processed. A comparison of line items reduction is illustrated by statistics provided by SD on activity during the period 1 December 1974 - 15 March 1975.

	SD Line Items	Obliga- tions	Encum- brances
Stock Replenishment	1,227	1,227	
Direct Procurement	14,055	14,055	14,055
Stock Issues	11,500		11,500
Totals	26,782	15,282	25,555

Under the PPA/PRA system, operating components recorded 25,555 PRA line items. Under the direct funding system, operating components would have recorded 15,282 or 40% fewer line items.

Accommodation Procurement

Direct Procurement Items The option as to allottee is now and will continue to be open to Agency policy decision. The Agency can continue to fund reimbursable accommodation procurements as it presently does--i.e. single transactions to OL and combined procurement and services to operating components--or can elect to allot reimbursable accommodation procurement funds (including both foreign and other Government agencies) to the "sponsoring" operating component. The same is true under either system.

Issue from Stock True. (Note: Under the present system, O/Compt on advice from OF, allots funds to PPA. In FY 1975 allotments are made to two accounts--General PPA and OTS Cognizant.)

Repairs and Modifications - Equipment Under the PPA/PRA system such costs are charged to PPA for materiel that is in the inventory. This expense is recouped by re-pricing the stock item (except in case of simple repair) for issue. The direct funding system will require the inventory manager to budget separately for such costs. PPA has never funded costs of repair and modification of "in use" property under the control of the customer.

Conclusion

We agree that implementation of OF's proposal for automation of PRA records will result in manpower savings and alleviate one of the major criticisms of the PPA/PRA system.

A change in the property funding system of the Agency would have a major impact on GAS, ICS, and CONIF only if it is contemplated that obligation control over property procurement will continue to be based on manual input by either OL/EO/BF or by individual operating components. The basic mechanics and procedures for obligation control are the same under either system. The only difference is point of input and control.

Referent C. outlines the conclusions reached by the OJCS Project Leaders for GAS, CONIF, and ICS. Time limitations and interface with the up-coming Commercial Invoice System lead to their decision to defer automation of the property procurement obligation controls for at least one more year.

2. A review of the points raised by referent A. in light of subsequent actions of referents B. and C. suggests that almost all have equal validity under either the direct funding or the PPA/PRA system. Although the points should be considered in reaching decision on timing of change, they should not be among the basic premises on which to reach a decision among options for funding of property by the Agency.



PPA/PRA Study Working Group

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Attachments:

Reference A
Reference C

FINANCIAL PROCEDURAL CONSIDERATIONS
DIRECT FUNDING OPTION - PROPERTY

The following observations point out some significant features which should be considered relative to financial procedural aspects if a Direct Funding system for property were to be adopted. Any system to be adopted should, of course, be mechanized and be compatible with related systems now in use or being developed.

Obligation Control

A. Determination by Ordering Component Whether Material is Stock or Non-Stock

In order to determine whether funds should be obligated, the ordering component must first determine whether the material will come from stock or will be obtained by direct purchase. Hence, the responsibility for making such a determination within the component should be clearly fixed. If the material is to come from stock, the ordering component would not be required to establish an obligation. If the material requested requires a direct purchase, then action by the component to effect obligation of funds, as indicated below, would be required. Under the current PPA/PRA system, the requesting component encumbers PRA regardless of supply source.

B. Action by Component for Preparation of Request and Obligation of Funds for Direct Procurement

(Note: Because the specific form to be used would be determined as part of a detailed design process, reference to a form number is avoided in this discussion.)

1. Inasmuch as the obligation (and liquidation) of funds is a function which is to be accomplished within the General Accounting System (GAS), a procedure design for the direct funding system would require the requesting component to provide on the request form a Document Control Number (DCN), the FAN, total amount obligated, certification of availability of funds, prime obligation reference number (ORN), and for each line item the sub-object class (SOC), price and a sub-ORN. (Note: Gas will accommodate a 12 digit number as the prime ORN with a sub-prime of 2 additional numbers - also GAS is designed to develop the SOC from the stock numbers).

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2. Send original and copies of request to OL for procurement action.
3. Send copy of the obligating document to the DAC for input of obligation data.
4. Upon receipt from OL of a copy of the confirming purchase order adjust obligation as necessary.

Comment: Under the Direct Funding system the responsibility for the obligation of funds for property procurement would be spread to components throughout the Agency whereas the current PPA/PRA system centralizes the responsibility in OL.

C. OL Action on Procurement Request

1. Issue purchase order to vendor. Any significant price differences for material to be procured should be relayed to the component. All concerned should agree on what amount constitutes a significant difference.
2. Distribute copies of purchase orders to OF and other components as appropriate.
3. Upon receipt of material from vendor, issue receiving reports to OF and other components as appropriate.

Comment: Inasmuch as at time of payment of the invoice the expense charge must relate to the appropriate obligation reference number and FAN, the purchase order must carry a number which will provide the required cross reference. This should not be difficult when a single FAN is involved; however, should OL wish to combine several requests involving different FANS into a single order to a vendor, it would be more complicated to provide identifying numbers which would ensure proper distribution of subsequent direct expense charges to the appropriate FANS and ORNS. Under the present system, procurement funds are obligated against a single FAN.

D. OF Invoice Payment/Obligation Liquidation

1. Based on appropriate match up of vendors invoices, purchase orders and receiving reports OF make payments and effect liquidation of obligations.

2. To ensure proper liquidation of obligations established on a line item basis, a mechanized procedure would be required which would, through tracking the ORN, relate the items billed to existence of proper authority to pay (purchase order) and verification that the items have been received (receiving report).
3. Certify invoice for payment and arrange for input of payment and obligation liquidation data into the accounting system.

Comment: Obligations for procurement would be spread among various components and FANS rather than one component (OL) as at present, thus it appears that OF would experience a substantial increase in fiscal year end inquiries concerning the status of procurement obligations. Components would experience significant increases in their obligation status reports due to shift from encumbrances to obligations.

E. Accommodation Procurement

Direct Procurement Items

Each component requiring a direct procurement to fulfill an accommodation Procurement action would request a reimburseable allotment authority from ADL/OF.

Under the present PPA/PRA procedures, ADL/OF is required to issue such allotments to a central point (OL).

Issue from Stock

For issues from stock, ADL/OF would issue a reimburseable allotment authority to the cognizant inventory officer from whom the material is drawn. The transaction would be handled as a sale from stock. Under the present system, ADL/OF is required to issue such allotments to a central point (OL).

Repairs and Modifications - Equipment

Under the Direct Funding option, a procedure would have to be devised for charging the customer component for repairs and modifications which are presently handled under the "unfunded PRA" system.

F. Conclusion

One of the major criticisms of the present PPA/PRA system (from a financial procedure point of view) is the manual effort required by components' BF offices to identify the liquidation of PRA encumbrances by matching issues listings against the encumbrances. However, OF has proposed that PRA be automated and should this

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action be taken a major drawback of the current system would be alleviated without requiring adoption of a completely new system. According to representatives of OJCS, automation of PRA could be accomplished by utilizing the Inventory Control System to input values of all line items on a requisition and to establish a capability to indicate a partial or final liquidation status. This data would then be interfaced with the General Accounting System with responsibility to produce a Requisition Status Report for Agency components and FAN/SOC data to the budget control system (FRS). This can be accomplished without delaying implementation of either ICS or GAS. A change to a different property funding system such as Direct Funding would require substantial effort for development of all phases of the system and would undoubtedly have a serious impact on efforts to implement the General Accounting System and would have an adverse effect on CONIF. Office of Finance talent available for participation in systems development is already spread thin and committed to efforts such as GAS, CONIF, and problems related to accommodating the requirements of FLSA. Thus, from a financial procedure point of view, it would seem preferable to automate PRA and retain the present PPA/PRA system rather than to adopt a different funding system for property.

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MEMORANDUM FOR THE RECORD

SUBJECT: Decision on PPA as it Relates to the
Three Computer Systems, GAS, CONIF, and ICS.

As a result of a meeting called by [] with
[] two questions were raised:

- ° Could PPA be obligated on DCN/line-item level?
- ° Could ICS be used as a vehicle for accomplishing this?

The results of this meeting and two others were as follows:

1. The data elements necessary to automate PPA thru the ICS System were defined.
2. The amount of time necessary to work out all the anticipated conversion problems did not fit into the project schedules.
3. The "committment file" that is manually posted in GAS today was not discussed. The new GAS has no time allotted for that analysis. The ICS System has not considered it. Yet this operation is part of a total PPA package.
4. The increased work load proposed in obligating during the transition period was not practicable in OL/Budget.

5. In light of the absence of detail specifications, and in light of offering a partial PPA instead of a complete "Commercial Invoice System", the mutual decision of deferring the automation of PPA for at least one(1) more year was reached.

6. PPA will have to continue manually and in a mode acceptable to the new GAS, and still identify contracts for CONIF.

GAS Project Leader

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CONIF Project Leader

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ICS Project Leader

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